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SUBJECT: SOUTHERN PROVINCES AIR CONCERNS WITH DPM AL-ISSAWI  
AND MINISTERS

SUMMARY

1. (SBU) On September 17-18, Deputy Prime Minister Rafa Al-Issawi hosted a conference on "Providing Services to the Southern and Middle Provinces" in Baghdad. Governors and Provincial Council members from the nine southern provinces and Anbar directly presented their concerns about essential services to key line ministers and deputy ministers. Ministries, in turn, provided rebuttals and explained their priorities and strategies to local officials. Topics addressed included oil, electricity, transportation, trade, health, municipal works, education, planning, housing and construction, agriculture, industry, and displacement. DPM Al-Issawi ordered the ministries to submit written responses directly to him regarding concerns raised and unresolved during the conference. The conference gave provincial officials a chance to give vent to grassroots frustrations over the sorry state of the delivery of essential services. It also demonstrates a new willingness in Baghdad to grapple with these concerns. The real test will be the results of efforts to follow up. End Summary.

MINISTER OF FINANCE: LEVEL OF SUFFERING IS INTOLERABLE

2. (SBU) In opening remarks, Minister of Finance Bayan Jabr noted that, "Suffering has reached an intolerable level. The level of services is too low and we need the cooperation of all the ministries and provincial governors to address the challenges." He also emphasized the need for cooperation and sharing of experiences to reduce inefficiency. "Mistakes are unavoidable, but we must keep moving forward. We cannot raise the level of development until we raise the level of services."

MINISTRY OF ELECTRICITY: WE ARE TRYING

3. (SBU) Governors and Provincial Council (PC) chairs expressed grave concerns over the shortages of electricity in their provinces. All participating provinces complained that the shortages were affecting water resources (as water pumps are often left without power), agricultural production, industrial output, and public health. The officials, especially those from Muthanna, stated the supplemental funds they received were insufficient to repair the electricity grids. The Governor of Basra complained that the province should not be responsible for national industries out of its provincial electricity allocation. Anbar officials chimed in with a similar complaint, noting that one nationally-important factory took 45 MW to run. "The Ministry of Industry should provide power for them, not the province." Karbala noted it received thousands of visitors but had not a single generation plant. Several others agreed that electricity should not be allocated by population but take other factors into account.

4. (SBU) The Minister of Electricity acknowledged that the situation has been very difficult for the past two years. He

noted that lack of funds, staff, fuel, and security, combined with increased demand, corruption, slow repairs and poor performance of contractors all contributed to the shortages. "People who used to have one air conditioner, now have five."

On the positive side, he said that 1,000 MW of electricity production had been added since last year. Three new projects will be completed this year, two more by next summer, and 17 other major electricity projects are pending, including the renovation of the Al-Hartha generation plant in Basra. He conceded most of these projects would take at least one to two years to complete but expressed optimism that "big power companies are looking at Iraq." The Minister also highlighted a recent deal with General Electric to supply generation, but explained marked improvements from that project would take at least two years to materialize. He asked the governors to assist by curbing local consumption and directing more funds towards fuel distribution. The Minister also said he would increase generation to water treatment plants, especially in Babil, as well as increase micro-generation projects as stopgap measures until larger projects can be completed.

#### PROVINCES SEEK OIL REFINERIES

15. (SBU) The provincial officials highlighted oil-related problems, such as lack of LPG supply and storage, a problem which would affect their constituents in the winter. All provinces expressed the desire to construct refineries in their areas to help address these supply problems, but complained that the Ministry of Oil's (MoO) ownership of land for such use complicates such goals. (Note: All refineries

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are government-owned but there are provisions that might allow for the construction of privately-owned refineries. Some have been built, but are not operational due to a lack of crude oil.) Maysan provincial officials were especially concerned about the availability of kerosene. Anbar's Governor requested more fuel for gas stations on the border, and was concerned about insufficient numbers of gas stations on the main highway. "Tribes are blackmailing travelers due to shortages," he complained. (Note: MoO owns some gas stations and licenses others to private operators, but is the sole provider of fuel to both. Private operators often divert gasoline supplies, which are needed for both automobiles and electric operators, to obtain higher prices on the black market, which leads to fuel shortages at the official price and reduced hours.) Muthanna officials complained they were not receiving enough asphalt for crucial road repair work and Diyala officials expressed concern their diesel fuel allocation was not enough to run the irrigation pumps, especially problematic given the severe drought in the province. Several provinces also requested additional storage tanks.

16. (SBU) A MoO Deputy Minister highlighted successes, such as the reopening of the Haditha refinery and its sourcing of crude oil via rail. He explained that his ministry was not supplying the border gas stations due to previous tribal corruption at them. Problems with LPG shortages in the province are a reflection of transport problems, rather than the MoO's supplies, specifically singling out the supply line between Basra and Amarah as problematic. For example, he said, there is plenty of kerosene available in Basra, but truckers do not like to haul it to Amarah as the pay is low for such a short distance. Regarding Muthanna's need for more asphalt, he explained the MoO was already supplying all available asphalt to the Ministry of Housing and Construction. (Note: Asphalt shortages have always existed and will continue well into the future due to a lack of refinery capacity.) On land issues, the representative suggested further discussions as heretofore dialogue on the topic had been limited.

AN AIRPORT IN EVERY PROVINCE?

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¶17. (SBU) All provincial officials expressed a desire for an international airport. (Comment: There is unlikely to be sufficient passenger and cargo traffic potential to support more than the few existing international airports in the near-to-medium term. End Comment.) The Governor from Maysan asked that the Ministry of Transportation eject Coalition Forces from Camp Sparrowhawk airfield, in order to transform it into a commercial airport. On railways, the Anbar Governor suggested passenger trains, in addition to freight trains, use the rail line between Baiji and Haditha, and pressed for extending the line westward to Al-Qaim. Babil also asked that its train station be reactivated. Regarding roads, Wasit's representative suggested weigh stations be placed on trucking routes to prevent damage to roads in the province, and Diwaniyah officials suggested a limit on drivers to reduce highway congestion. On maritime issues, Basrah's Governor complained that Navy War College graduates were not finding employment with the ports.

¶18. (SBU) The Ministry of Transportation representative, after boasting of opening airports in Mosul and Najaf, stated an airport was not yet a realistic option for each and every province, but explained the ministry was considering an airport plan that could service Babil, Najaf, Wasit, and Diwaniyah. He added that Iraqi Airways had successfully leased three more aircraft and that a "European airline" would soon begin a route to Iraq. The representative emphasized improvements in the Iraqi rail system, but conceded the process of upgrading rails was proceeding slowly. He said the ministry is planning a Najaf-Karbala line. On ground transportation, the ministry has a fleet of 360 18 wheel trucks and is working to "clean up" the trucking industry, he said. Bus lines are running, he explained, and would increase in frequency and quality as demand increased. The representative added that 80 wrecks still need to be removed from Iraqi channels and that there is large demand for dredging work.

#### PUBLIC DISTRIBUTION SYSTEM CONCERNS

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¶19. (SBU) The provincial officials all expressed concern over limited deliveries of the Public Distribution System (PDS) to their areas. Several provinces mentioned the tea component of the PDS basket as particularly problematic, levying specific allegations of corruption against tea distributors. Provincial officials also complained that certain provinces, such as Anbar and Najaf, had

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disproportionately large amounts of sugar. Other concerns included Najaf farmers experiencing payment delays from the Ministry of Trade for PDS items and Diwaniya's PDS flour mill facing maintenance problems.

¶10. (SBU) The Deputy Minister of Trade said his ministry was exploring ways to reform the PDS system. While he blamed global inflationary pressures for some of the supply problems, he stated the ministry was taking concrete steps to improve the transportation of PDS products. He also emphasized that the GOI was renegotiating trade agreements that were halted in 2003, a step that would also help stabilize food supplies.

#### TOO FEW HOSPITALS: STAFF, EQUIPMENT SHORTAGES

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¶11. (SBU) On health, the basic issue for the provinces was the need for new hospitals, equipment, and specialized medicine. Some officials complained that while they received initial funding and sites for hospitals, not enough resources were available to complete the projects. Land use issues were also creating delays. Basra officials recounted having purchased medical equipment, but not having enough staff or

subsequent resources to maintain it. Officials from Anbar asked that the MoH facilitate a medical school in a rural area, reflecting their concern that doctors trained in the cities do not leave the cities. Babil Province asked for more assistance to fight cholera through providing more nurses. Anbar noted the need for a women's wing for hospitals with female doctors, midwives and facilities pre-natal care.

¶12. (SBU) The Minister of Health (MoH) acknowledged shortages in medical practitioners and explained that his ministry was adopting a new strategy to develop human resources and place them in the "right areas." The Ministry of Education was a partner on this initiative, he said. He also asked the provinces to include specialized medical clinics in their budget requests, as the MoH budget could not support this area. He also conceded there was a disproportionately low number of doctors in the provinces. In response to the complaints about equipment, he acknowledged that there had to be better provision for spare parts and maintenance personnel. "Every day a piece of medical equipment is not working costs \$435." He was also trying to get a straight answer on specialty clinics. "How many specialists does a cancer clinic need? I don't know," he said. On midwife training, the Minister was supportive, noting that 23 percent of births currently occur outside hospitals.

#### PROVINCES BLAST MINISTRY OF MUNICIPALITIES

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¶13. (SBU) During the session related to Ministry of Municipalities (MoM) issues, the governors and PC chairs complained about broken sewage systems, lack of solid waste disposal, and the inability of the MoM to successfully execute projects. The PC chair from Muthanna cited a 60 percent shortage in drinking water, but said the water systems could not improve without repairing the sewage system first. The PC chair from Maysan estimated only 15 percent of the sewage system was functional in his province, with Babil officials claiming only 6 percent sewage functionality and highlighting the problem of cholera in their province. Muthana, Basra, and Anbar officials all cited lack of chlorine as a significant problem. The Governor from Basra specifically complained that heavy pollution in the Tigris and Euphrates rivers severely affecting his province downstream. Officials from Dhi Qar, Karbala, and Anbar discussed problems with solid waste disposal, with Anbar's Governor stating that poor trash collection constituted a significant threat to security. They all asked for recycling or disposal assistance from MoM. Both the Governor and a Provincial Council member from Basra loudly criticized the MoM, accusing its managers of treating Basra in a "political" manner and complaining about the ministry's DG for sewage. "He is the worst DG in government," the PC member complained.

Anbar's Governor questioned why the MoM has so much authority for essential services in the provinces. "If we are trying to decentralize, why not give us more authority for projects?" he asked. Both Basra and Muthanna officials complained about the MoM starting projects, but failing to see them through to completion. The Muthana PC chair also cited high land prices, determined by the MoM, as impeding local projects. "If you are going to set the prices," he said, "at least subsidize them when we implement a development project."

¶14. (SBU) The MoM representative claimed the ministry spent 270 billion ID on sewage-related projects in the southern provinces this year. He listed several projects for each

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province that have been approved or pending funding, but await subcontracts.

EDUCATION

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¶15. (SBU) The governors and PC chairs argued for more provincial authority on education issues, given high student-teacher ratios and large number of dilapidated schools. The Najaf PC chair cited an average of 90 students per teacher in grades 1-6, calling this problem "catastrophic." The Diyala Governor said there were 30 schools in his province "falling apart" and requiring security guards. Basra's PC member claimed scores for students were much lower than before and called for better testing standards. Anbar's government emphasized how security affects education, explaining that many students in his province missed a nationally-administered English test due to a security curfew in place.

¶16. (SBU) The Minister of Education agreed there were weaknesses in Iraq's educational system, and argued for more resources to improve it. We need 10,000 more teachers and 10,000 night guards to protect schools, he said. In addition 2,500 schools require refurbishment, 150 of which are constructed of mud. He complained that his ministry spent a large amount of money refurbishing schools that did not actually require such work and accused "incompetent" companies of performing below standards on many contracts. More coordination was also needed with the provinces, he explained, also highlighting land ownership issues as an impediment to building more schools. "We have grants from Kuwait to build, but we need land," he explained. On student aptitudes, the Minister said many night school graduates were unqualified to graduate, stating, "A lot of these guys cannot even read or write." Explaining the need for incentives, the Minister also stated colleges and universities with the highest test scores should receive the most national scholarship money.

#### BUDGET EXECUTION DELAYS

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¶17. (SBU) Accepting his ministry's blame for some of the delays in provincial budget execution, the Minister of Planning, Development, and Cooperation (MoPDC) supported the provinces' requests to have more authority in contracting. "If a ministry cannot get a project done quickly, let the governors take over," he suggested. He said the MoPDC was creating a blacklist of contractors that have underperformed, and asked the provincial officials for assistance in identifying such companies.

#### HOUSING AND CONSTRUCTION

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¶18. (SBU) During the session on Ministry of Housing and Construction (MoHC) issues, provincial officials listed many housing, road, and bridge projects in their areas that were behind schedule. Officials from both Najaf and Diwaniyah complained about lack of tar and asphalt for road projects. Maysan and Babil officials complained that heavily loaded trucks were causing extensive road damage and suggested implementing scales to regulate such traffic. The Diwaniyah PC chair recounted how a residential center project awarded by the MoHC in 2005 had not yet even finished its foundation stage yet, and asked that the MoHC provide timelines for its projects. The Anbari Governor asked the MoHC for more residential projects and the Governor from Basra complained about disproportionately MoHC funds benefiting his province.

¶19. (SBU) Minister for Housing and Construction Bayan Diyazee explained that the MoHC considers projects by first weighing them against national strategic goals and then evaluating feasibility. She explained the MoHC was implementing 30 road and bridge projects throughout the country, but conceded her ministry had a shortage of engineers and equipment, given the large demand. Diyazee explained that other provinces, such as Wasit and Diwaniyah, receive more funds than more heavily-populated Basra due to the highway projects in those provinces. She claimed, however, that these projects would benefit Basra, and said the MoHC had a total of 59 projects underway in the



province. (Note: Currently the MoHC is undertaking 24 housing projects in 14 of the southern provinces. One project in Basra (504 units) is some 34 percent complete; a new one for Al Anbar was just approved under the supplemental budget; and the housing project in Diwaniyah has been plagued by a defaulted Polish contractor that has now been removed. A new contractor has been awarded the project as well as an additional \$7 million for project completion. The capacity

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of the Ministry is limited and will keep falling short of Iraq's infrastructure needs for roads, bridges, municipal buildings and housing. End Note.)

#### AGRICULTURE REFORMS NEEDED

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¶20. (SBU) Provincial officials lamented the state of agricultural, requesting more support for animal feed and equipment from the Ministry of Agriculture. The PC member from Muthanna requested 25-50 percent subsidies for purchases of spray aircraft, irrigation equipment, and greenhouses. Diwaniyah officials requested more chicken feed and the Anbar Governor asked for more veterinary services and laboratory testing for meat. Dhi-Qar provincial officials said the GOI needs to undertake a desalination initiative.

#### MORE INDUSTRY NEEDED

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¶21. (SBU) The governors from Basra and Anbar asked the Ministry of Industry and Minerals (MoIM) to focus more on their provinces, while MoIM Deputy Minister Sami Al-Araji explained his ministry's initiatives in those areas. The Governor from Anbar asked Araji for permission to cut off power to the Al Qaim cement factory, a state-owned enterprise that came under private management in July. "It's in the contract that the foreigners will provide their own electricity, but they are still picking off the national grid," He explained. He also suggested MoIM establish a water-bottling facility. Araji said it was too soon to solve the electricity issue with respect to the cement factory, as the contract between MoIM and the foreign operators allowed for a six month grace period on private electricity generation. Addressing Basra officials directly, Araji said his ministry had "big plans" for the province, and shared MoIM's vision to build a "world class" petrochemical industrial center there.

#### DISPLACEMENT ISSUES

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¶22. (SBU) Dhi-Qar officials expressed concern over the large number of internally-displaced persons (IDPs) in the province, and said this was compounding the 64 percent unemployment rate there. Minister of Displacement and Migration (MoDM) Sultanov thanked the provinces for their support in housing IDPs and supporting the GOI's efforts to establish rule of law throughout the country. He asked for patience from the provinces as the MoDM finalizes its national strategy for the return of IDPs.

#### COMMENT

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¶23. (SBU) The conference, broadcast live, was the first such forum on essential services for these provinces; it followed a similar, but less well-organized, session for the northern provinces in August. While exchanges at times became heated, the overall tone of the dialogue remained constructive and cordial. We are encouraged by DPM Al-Issawi's engagement and outreach to the provinces. The real measure of the conference's success, however, will be to what extent the DPM keeps his promise that provincial concerns will not fall on deaf ears and that ministries will be held accountable for

their shortcomings. End Comment.  
CROCKER